

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this Circular or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately. The contents of this Circular are not to be construed as legal, business or tax advice. Shareholders should rely only on the information in this Circular. No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been authorised by the Company.

If you sell or have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this Circular but not any of the accompanying personalised documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. This Circular and the accompanying documents should not, however, be sent or transmitted in, or into, any Prohibited Territory. If you have sold only part of your holding of your Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

J.P. Morgan and Brewin Dolphin, which are authorised and regulated in the United Kingdom by the Financial Services Authority for the conduct of investment business, are jointly acting for the Company and for no one else in connection with the Tender Offer and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to customers of J.P. Morgan and Brewin Dolphin (as applicable) or for affording advice in relation to the Tender Offer, the contents of this document or any transaction, arrangement or other matter referred to in this document.

Grainger plc

(A company incorporated in England and Wales with registered no. 125575)

Proposed purchase of 1 in every 238 Ordinary Shares at 149 pence per share pursuant to a Tender Offer and Notice of General Meeting

The Tender Offer will close at 1.00 p.m. on 10 June 2011 unless extended in accordance with paragraph 8 of Part II of this Circular. The procedure for tendering Ordinary Shares is set out in Part II of this Circular. Further copies of this Circular and the accompanying forms are available from the Receiving Agent at the address set out on pages 3, 12, 13 and 25.

Copies of this document are also available on the "Investor Relations" section of the Company's website, at www.graingerplc.co.uk and are also available for collection, free of charge, during normal business hours on any Business Day while the Tender Offer remains open for acceptance from the registered office of the Company. Unless you have sold or transferred all your Ordinary Shares you are recommended to retain this Circular for reference.

Notice of the General Meeting of the Company convened for 12.00 p.m. on 13 June 2011 is set out at the end of this Circular. To be valid, the accompanying Form of Proxy for use at the General Meeting must be completed and returned so as to reach the Registrars by hand (during normal business hours only) or by post at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 12.00 p.m. on 9 June 2011.

As an alternative to completing the enclosed Form of Proxy, Shareholders can appoint proxies electronically via www.capitashareportal.com so that it is received by the Registrar by not later than 12.00 p.m. on 9 June 2011. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant ID RA10) by not later than 12.00 p.m. on 9 June 2011. The time of receipt will be taken to be the time (as determined by the timestamp

applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Notice to US Shareholders:

The Tender Offer is being made for the securities of a UK company and is subject to UK disclosure requirements, which are different from those of the United States. The settlement procedure with respect to the Tender Offer will be consistent with UK practice, which differs from US domestic tender offer procedures in certain material respects, particularly with regard to date of payment. The Tender Offer will be made in the United States pursuant to Section 14(e) and Regulation 14E under the US Exchange Act and otherwise in accordance with the requirements of the Act. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Tender Offer by a US Shareholder may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Tender Offer.

It may be difficult for US Shareholders to enforce their rights and any claim arising out of the US federal securities laws, since the Company is located in a foreign country, and all of its officers and directors are residents of a foreign country. US Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the US securities laws. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court's judgement. Whether located in the US or elsewhere, Shareholders will receive their cash consideration in pounds sterling.

In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, the Company or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Ordinary Shares outside the United States, other than pursuant to the Tender Offer, before or during the period in which the Tender Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will only be disclosed as required in the UK, will be reported to a Regulatory Information Service of the UK Listing Authority and will be available on the London Stock Exchange website, www.londonstockexchange.com.

The Tender Offer in the United States is made solely by the Company. While the Tender Offer is being made available to Shareholders in the United States, the right to tender Ordinary Shares is not being made available in any jurisdiction in the United States in which the making of the Tender Offer or the right to tender Ordinary Shares would not be in compliance with the laws of such jurisdiction.

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Expected Timetable of Events

Tender Offer opens	27 May 2011
Latest time and date for receipt of Forms of Proxy for the General Meeting	12.00 p.m. on 9 June 2011
Latest time and date for receipt of Tender Forms and TTE instructions from CREST Shareholders	1.00 p.m. on 10 June 2011
Tender Offer closes	1.00 p.m. on 10 June 2011
Record Date for the Tender Offer	6.00 p.m. on 10 June 2011
General Meeting	12.00 p.m. on 13 June 2011
Outcome of Tender Offer announced by	8.00 a.m. on 14 June 2011
Cheques despatched for certificated Ordinary Shares purchased pursuant to the Tender Offer and payment through CREST for uncertificated Ordinary Shares purchased pursuant to the Tender Offer	by 30 June 2011
CREST accounts credited for revised holdings of Ordinary Shares	by 30 June 2011
Despatch of balance share certificates for unsold Ordinary Shares	by 30 June 2011

If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by an announcement through the Regulatory Information Service of the London Stock Exchange. All references in this document are to UK time unless otherwise stated.

Definitions

The following definitions apply throughout this Circular, the accompanying Tender Form and Form of Proxy, unless the context otherwise requires:

'Act'	the Companies Act 2006 as amended
'Announcement'	the announcement issued by the Company on 19 May 2011 in relation to the Company's Interim Results for the six months to 31 March 2011
'Annual General Meeting'	the annual general meeting of the Company held on 9 February 2011
'Board' or 'Directors'	the board of directors of the Company as at the date of this Circular whose names are set out on page 5 of this Circular
'Brewin Dolphin'	Brewin Dolphin Ltd, joint financial adviser to the Company
'Business Day'	means a day (other than a Saturday or Sunday) in which banks in the United Kingdom are generally open for business
'Capita Registrars'	a trading name of Capita Registrars Limited
'certificated' or 'in certificated form'	in certificated form (that is, not in CREST)
'Circular'	this document
'CREST'	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
'CREST member'	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
'CREST participant'	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
'CREST Regulations'	Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
'CREST sponsor'	a CREST participant admitted to CREST as a CREST sponsor
'CREST sponsored member'	a CREST member admitted to CREST as a sponsored member
'DTR'	the Disclosure Rules and Transparency Rules published by the FSA
'Euroclear'	Euroclear UK & Ireland Limited (previously CRESTCo Limited)
'Existing Market Purchase Authority'	the authority obtained at the Annual General Meeting for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange
'FSA'	the UK Financial Services Authority
'FSMA'	the Financial Services and Markets Act 2000
'General Meeting'	the general meeting of the Company to be held at 12.00 p.m. on 13 June 2011 at the Company's offices at 161 Brompton Road, London SW3 1QP, notice of which is set out at the end of this Circular
'Grainger' or 'Company'	Grainger plc
'Gross NAV'	Shareholders' funds adjusted for the market value of property assets held as stock but before deduction for deferred tax on property revaluations and before adjustments for the fair value of derivatives
'Group'	the Company and its subsidiaries

'J.P. Morgan'	J.P. Morgan Securities Limited, which conducts its UK Investment Banking business as J.P. Morgan Cazenove, joint financial adviser to the Company
'London Stock Exchange'	London Stock Exchange plc
'Member account ID'	identification code or number attached to any member account in CREST
'Ordinary Shares' or 'shares'	ordinary shares of 5p each in the capital of the Company
'Overseas Shareholders'	a Shareholder who is resident in, or a citizen of, a jurisdiction other than the United Kingdom
'participant ID'	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
'Prohibited Territory' or 'Prohibited Territories'	Canada, Australia, Japan, Republic of South Africa and their respective territories and possessions and any other jurisdictions where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Company if information or documents concerning the Tender Offer were to be sent or made available to Shareholders in that jurisdiction
'Qualifying Shareholders'	holders of Ordinary Shares on the register of members of the Company at the Record Date who hold at least 238 Ordinary Shares and do not have a registered address in a Prohibited Territory
'Receiving Agent'	Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
'Registrars'	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
'Record Date'	6.00 p.m. on 10 June 2011
'Shareholders'	holders of Ordinary Shares from time to time
'Tender Form'	the tender form accompanying this Circular issued for use by Qualifying Shareholders who hold Ordinary Shares in certificated form in connection with the Tender Offer
'Tender Offer'	the invitation by the Company to Shareholders to tender Ordinary Shares on the terms and subject to the conditions set out in the Circular and the Tender Form
'Tender Offer Entitlement'	the entitlement of a Qualifying Shareholder to sell under the Tender Offer 1 Ordinary Share for every 238 Ordinary Shares registered in his/her name at the Record Date, rounded down to the nearest whole number of Ordinary Shares
'Tender Offer Resolution'	the special resolution set out in the notice of General Meeting at the end of this Circular to approve the Tender Offer
'Tender Price'	149 pence per share
'TFE instruction'	a transfer from escrow instruction (as defined by the CREST manual issued by Euroclear)
'TTE instruction'	a transfer to escrow instruction (as defined by the CREST manual issued by Euroclear)
'UK' or 'United Kingdom'	the United Kingdom of Great Britain and Northern Ireland
'UK Listing Authority' or 'UKLA'	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

'uncertificated' or 'in uncertificated form'	means for the time being recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
'US Shareholders'	holders of Ordinary Shares from time to time with registered addresses in the United States
'US' or 'United States'	means the United States of America (including the District of Columbia), its territories, its possessions and all other areas subject to its jurisdiction
'US person'	means (i) any individual who is a resident or citizen of the United States and (ii) a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust the income of which is subject to United States federal income taxation regardless of its source, provided, however, that "US person" shall not include a branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reason as a locally registered branch or agency engaged in the banking or insurance business and not solely for the purpose of investing in securities not registered under the United States Securities Act 1933 (as amended)

PART I

Letter from the Chairman

Grainger plc

(A company incorporated in England and Wales with registered no. 125575)

Directors

Robin Broadhurst, *Chairman*
 Andrew Cunningham, *Chief Executive*
 Peter Couch, *Executive Director*
 Mark Greenwood, *Finance Director*
 Nick Jopling, *Executive Director*
 Robert Hiscox, *Non-Executive Director*
 John Barnsley, *Non-Executive Director*
 Henry Pitman, *Non-Executive Director*
 Baroness Margaret Ford, *Non-Executive Director*
 Belinda Richards, *Non-Executive Director*

Registered and Head Office:

Citygate
 St James' Boulevard
 Newcastle upon Tyne
 NE1 4JE

27 May 2011

Dear Shareholder

Proposed purchase of 1 in every 238 Ordinary Shares at 149 pence per share by way of a Tender Offer and Notice of General Meeting

Introduction

On 19 May 2011, the Board announced in the interim results for the six months ended 31 March 2011, that the Company intended to offer to purchase 1 in every 238 Ordinary Shares by way of a Tender Offer at a price of 149p per share. The background to and reasons for this Tender Offer are set out below.

If the maximum number of Ordinary Shares under the Tender Offer is acquired, this will result in an amount of £2.6 million being paid by the Company to Qualifying Shareholders.

Shareholder approval is required for the Tender Offer and accordingly a General Meeting is being convened at the Company's offices at 161 Brompton Road, London SW3 1QP at 12.00 p.m. on 13 June 2011. The Notice of General Meeting is set out at the end of this Circular.

A summary of actions to be taken by Shareholders is listed below and in the section entitled "Some Questions and Answers on the Tender Offer" as set out in Part III of this Circular for reference, but Shareholders should read the whole of this Circular and not just rely on the summarised information set out in this letter and in Part III of this Circular.

Background to and reasons for the Tender Offer

As noted in the Announcement, the Board is extremely conscious that the share price of the Ordinary Shares continues to trade at a very significant discount to net asset value, despite the achievements made so far this year. Consequently, the Board has decided to take the opportunity to return cash to Shareholders by way of a tender process rather than by paying an interim dividend. It is the view of the Board that this move will serve to highlight the wide disparity between the share price per Ordinary Share and the Group's underlying asset value. The Tender Price represents approximately a 29 per cent. discount to Gross NAV.

The Board is proposing that the Company should purchase from Qualifying Shareholders up to 1,749,331 Ordinary Shares. Accordingly, it does not anticipate that the Tender Offer will have a material impact on the percentage of each Shareholder's holding of Ordinary Shares in the Company.

The Tender Offer

Your Board is proposing that the Company should make a Tender Offer to purchase up to 1,749,331 Ordinary Shares, representing approximately 0.42 per cent. of the Company's current issued ordinary share capital (excluding treasury shares), at a price of 149p per Ordinary Share. This represents:

- a premium of approximately 20.4 per cent. to the closing middle market price of the Ordinary Shares of 123.75p per share on 18 May 2011 (being the last Business Day prior to the date of the Announcement); and
- a premium of approximately 19.1 per cent. to the average closing middle market price of the Ordinary Shares of 125.1p per share as derived from the London Stock Exchange for the five Business Days ended on 26 May 2011 (being the latest practicable date prior to the date of this Circular).

The Tender Offer is open to all Qualifying Shareholders on the Company's register of members on the Record Date. Qualifying Shareholders may participate in the Tender Offer by tendering either all or a proportion of their Tender Offer Entitlement of Ordinary Shares. Each Qualifying Shareholder will be entitled to sell under the Tender Offer, a maximum of 1 Ordinary Share for every 238 Ordinary Shares registered in his/her name on the Record Date, rounded down to the nearest whole number of Ordinary Shares. If the aggregate number of Ordinary Shares validly tendered is less than 1,749,331 Ordinary Shares the difference between the amount paid out by the Company under the Tender Offer in respect of those Ordinary Shares validly tendered and £2.6 million will be used by the Company to make market purchases (within the meaning of section 693(4) of the Act) pursuant to the Existing Market Purchase Authority. The Ordinary Shares purchased under the Tender Offer will be held in treasury.

The Tender Offer is made on the terms and subject to the conditions set out in paragraph 2 of Part II of this Circular.

Shareholders who hold Ordinary Shares in certificated form may only make a tender on the accompanying Tender Form, which is personal to the Shareholder(s) named on it and may not be assigned or transferred.

Shareholders who hold Ordinary Shares in uncertificated form may only make a tender by way of an electronic tender in the form of a TTE instruction.

Unless the Board determines to vary the tender price in accordance with paragraph 9 of Part II of this Circular, a Tender Form and/or a TTE instruction once submitted cannot be withdrawn. To be valid, a Tender Form and/or a TTE instruction must be received by the Receiving Agent, and in the case of a TTE instruction must settle, no later than 1.00 p.m. on 10 June 2011.

Further information relating to the Tender Offer (including the Terms and Conditions of the Tender Offer) is set out in Part II of this Circular.

Overseas Shareholders

The attention of Qualifying Shareholders who are citizens, residents or nationals of countries outside the UK wishing to participate in the Tender Offer is drawn to paragraph 10 of Part II of this Circular.

The Tender Offer is not being made in or into, and is not capable of acceptance in or from the Prohibited Territories. Custodians, nominees and trustees should observe these restrictions and should not send or distribute documents in or into the Prohibited Territories. Any persons (including nominees, trustees and custodians) who may have a legal or contractual obligation to forward this document, the Tender Form and any related documents to any jurisdiction outside the United Kingdom should seek appropriate advice and read paragraph 10 of Part II of this Circular before doing so.

The Tender Offer in the United States is made solely by the Company. While the Tender Offer is being made available to Shareholders in the United States, the right to tender Ordinary Shares is not being made available in any jurisdiction in the United States in which the making of the Tender Offer or the right to tender Ordinary Shares would not be in compliance with the laws of such jurisdiction.

The receipt of cash pursuant to the Tender Offer by a US Shareholder may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other

tax laws. Each Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Tender Offer.

Taxation

A summary of the taxation consequences of the Tender Offer for UK resident Shareholders is set out in paragraph 11 of Part II of this Circular. It should be noted that this refers to the current system of taxation. **Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers immediately.**

Notification of interests

Under section 5.1.2 of the DTR, certain substantial Shareholders are required to notify the Company and the FSA of the percentage of voting rights they hold as Shareholders or through their direct or indirect holding of financial instruments within the limits referred to in the DTR. Following the completion of the Tender Offer, the percentage of voting rights held by a Shareholder will change, which may give rise to an obligation on the Shareholder to notify the Company and the FSA within two trading days of becoming aware (or being deemed to have become aware) of such change. If you are in any doubt as to whether you should notify the Company and the FSA or as to the form of that notification, please consult your solicitor or other professional adviser.

General Meeting

The Tender Offer is being conducted in accordance with the requirements of the Act. In order to comply with these requirements, the Company is convening a General Meeting for 12.00 p.m. on 13 June 2011 to consider and, if thought fit, pass the Tender Offer Resolution to grant the Company the authority to undertake the Tender Offer.

The Tender Offer Resolution must be passed either (i) on a show of hands by at least 75 per cent. of those Shareholders present in person or by proxy and voting or (ii) on a poll by those Shareholders (present in person or by proxy and voting) holding 75 per cent. or more of the Ordinary Shares voted, in each case, at the General Meeting. The Company will not purchase Ordinary Shares pursuant to the Tender Offer unless the Tender Offer Resolution is duly passed.

Actions to be taken:

1. General Meeting

Shareholders will find enclosed with this Circular a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the meeting, and whether or not Shareholders intend to participate in the Tender Offer, Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon so that it reaches the Registrar as soon as possible and in any event so as to be received by Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by post or by hand (during normal business hours only) not later than 12.00 p.m. on 9 June 2011. Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

As an alternative to completing the enclosed Form of Proxy, Shareholders can appoint proxies electronically via www.capitashareportal.com so that it is received by the Registrar by not later than 12.00 p.m. on 9 June 2011. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant ID RA10) by not later than 12.00 p.m. on 9 June 2011. The time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

2. Tender Offer

The procedure for tendering Ordinary Shares depends on whether Ordinary Shares are held in certificated or uncertificated form and is summarised below:

(a) Shares held in certificated form

Qualifying Shareholders who hold Ordinary Shares in certificated form and who wish to participate in the Tender Offer should follow the instructions on the accompanying Tender Form and return it to the Receiving Agent to arrive by no later than 1.00 p.m. on 10 June 2011. Qualifying Shareholders who hold their Ordinary Shares in certificated form should also send their share certificate(s) or other document(s) of title in respect of the Ordinary Shares tendered with their Tender Form. Further details of the procedure for tendering and settlement are set out in Part II of this Circular and on the accompanying Tender Form.

(b) Shares held in uncertificated form

Qualifying Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) and who wish to tender all or any of their Tender Offer Entitlement should tender electronically through CREST so that the TTE instruction settles no later than 1.00 p.m. on 10 June 2011. Further details of the procedures for tendering and settlement are set out in Part II of this Circular.

Shareholders who do not wish to participate in the Tender Offer should not complete the Tender Form and will not be required to make a TTE instruction.

Further information

The Tender Offer will be financed solely from the Company's existing cash resources.

At 26 May 2011 (being the latest practicable date prior to the date of this Circular) the issued ordinary share capital of the Company was 416,362,420 Ordinary Shares, of which 21,410 Ordinary Shares were held as treasury shares. At 26 May 2011, there were 2,652,443 share options outstanding in respect of Ordinary Shares granted under the Company's share option schemes, equivalent to 0.64 per cent. of the Company's issued ordinary share capital (excluding treasury shares). These options will represent approximately 0.64 per cent. of the Company's issued ordinary share capital (excluding treasury shares) if the Company purchases the maximum number of Ordinary Shares pursuant to the Tender Offer and 0.71 per cent. (excluding treasury shares) if the maximum number of Ordinary Shares are also purchased pursuant to the Existing Market Purchase Authority.

Your attention is drawn to the Details of the Tender Offer (including the Terms and Conditions of the Tender Offer) set out in Part II of this Circular.

RECOMMENDATION

Your Directors consider that the Tender Offer is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Tender Offer Resolution as they intend to do in respect of their own holdings of Ordinary Shares.

The Directors are making no recommendation to Qualifying Shareholders in relation to participation in the Tender Offer itself. Whether or not Qualifying Shareholders decide to tender their Ordinary Shares will depend, amongst other things, on their own individual circumstances, including their own tax position. Qualifying Shareholders are recommended to consult their duly authorised independent advisers in making their own decision.

Yours sincerely

Robin Broadhurst
(Chairman)

PART II

Details of the Tender Offer

1. Introduction

Qualifying Shareholders are invited to tender Ordinary Shares on the terms and subject to the conditions set out in this Circular and, in respect of Qualifying Shareholders who hold Ordinary Shares in certificated form, the accompanying Tender Form. The Company will only acquire Ordinary Shares pursuant to the Tender Offer if, *inter alia*, the Tender Offer Resolution is passed at the General Meeting.

The Board is proposing that the Company should purchase from Qualifying Shareholders up to 1,749,331 Ordinary Shares at a price of 149p per Ordinary Share. The Tender Offer is open to all Qualifying Shareholders on the register of members of the Company on the Record Date, who may participate by tendering all or a proportion of their Tender Offer Entitlement of Ordinary Shares at that price.

Each Qualifying Shareholder will be entitled to sell up to a maximum of 1 Ordinary Share for every 238 Ordinary Shares registered in his/her name on the Record Date, rounded down to the nearest whole number of Ordinary Shares. There will be no fractional entitlements under the Tender Offer. If the aggregate number of Ordinary Shares validly tendered is less than 1,749,331 Ordinary Shares the difference between the amount paid out by the Company under the Tender Offer in respect of those Ordinary Shares validly tendered and £2.6 million will be used by the Company to make market purchases (within the meaning of section 693(4) of the Act) pursuant to the Existing Market Purchase Authority.

Ordinary Shares purchased pursuant to the Tender Offer will be acquired free of all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto. Ordinary Shares purchased by the Company will be held in treasury.

Qualifying Shareholders who hold their shares in certificated form (that is, not in CREST) who have tendered some or all of their Tender Offer Entitlement and who:

- have one share certificate in respect of their entire holding of Ordinary Shares, may not trade any of their Ordinary Shares in the normal way during the Tender Offer period; or
- have more than one share certificate in respect of their holding of Ordinary Shares, may only trade those Ordinary Shares in the normal way during the Tender Offer period which are not represented by the share certificate(s) relating to those Ordinary Shares which have been tendered pursuant to the Tender Offer.

Qualifying Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) who have tendered some or all of their Tender Offer Entitlement, may only trade those Ordinary Shares in the normal way during the Tender Offer period which have not been tendered pursuant to the Tender Offer. Such Qualifying Shareholders are directed to paragraph 3(iii) of this Part II which details specific procedures for holders of Ordinary Shares in uncertificated form.

2. Terms and Conditions of the Tender Offer

The Company hereby offers to purchase Ordinary Shares from Qualifying Shareholders on and subject to the following terms and conditions:

- (a) The Tender Offer is conditional on the following (**Conditions**):
 - (i) the passing of the Tender Offer Resolution; and
 - (ii) the Tender Offer not having been terminated in accordance with paragraph 9 of this Part II prior to 12.00 p.m. on 13 June 2011.

If these Conditions are not satisfied the Tender Offer will lapse and the Company will not purchase any Ordinary Shares pursuant to the Tender Offer. The Conditions may not be waived.

- (b) Each Ordinary Share may be tendered under the Tender Offer at the Tender Price.
- (c) The Tender Offer is only available to Qualifying Shareholders on the register of members of the Company on the Record Date and only in respect of the number of Ordinary Shares registered in their names on that date.
- (d) Only tenders made at the Tender Price will be accepted.
- (e) Each Qualifying Shareholder will be entitled to tender under the Tender Offer in respect of Ordinary Shares registered in his/her name on the Record Date.
- (f) Tender Forms and/or tenders in CREST which have been, or are deemed to be, validly and properly completed and received by the Receiving Agent, by 1.00 p.m. on 10 June 2011 will become irrevocable at such time as they are received and will not be capable of being withdrawn.
- (g) The Tender Offer will close at 1.00 p.m. on 10 June 2011 and no Tender Forms or TTE instructions received after 1.00 p.m. on 10 June 2011 will be accepted in whole or in part, except to the extent that the Company extends the period for tendering under the Tender Offer, in which case a new date for the Tender Offer will be given. **The Company reserves the right, subject to applicable legal and regulatory requirements, to extend the period for tendering under the Tender Offer at any time prior to 1.00 p.m. on 10 June 2011.** Any material change to the expected timetable will be notified to Shareholders by way of an announcement through a Regulatory Information Service of the London Stock Exchange. Any such extension will comply with all applicable legal and regulatory requirements including, but not limited to, the duration of such extension.
- (h) Subject to the satisfaction of the Conditions referred to in paragraph 2(a) above, Ordinary Shares successfully tendered will be purchased by the Company fully paid and free of all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto.
- (i)
 - (i) All tenders in respect of Ordinary Shares held in certificated form must be made on the accompanying Tender Form duly completed in accordance with the instructions set out below and in the Tender Form (which constitute part of the terms of the Tender Offer). Such tenders will only be valid if the procedures contained in this Circular and in the Tender Form are complied with in full.
 - (ii) All tenders in respect of Ordinary Shares held in uncertificated form (that is, in CREST) must be made by the input and settlement of a TTE instruction in CREST in accordance with the instructions set out in this Part II and the relevant procedures in the CREST manual (which together constitute part of the terms of the Tender Offer). Such tenders will only be valid when the procedures contained in this Circular and in the relevant parts of the CREST manual are complied with in full.
 - (iii) The Tender Offer and all tenders relating thereto will be governed by and construed in accordance with the laws of England and Wales. Delivery of a Tender Form and/or the input of a TTE instruction in CREST, as applicable, will constitute submission to the exclusive jurisdiction of the English courts.
- (j) All documents and remittances sent by or to Qualifying Shareholders will be sent at the risk of the Qualifying Shareholder concerned. If the Tender Offer does not become unconditional and lapses, share certificates and other documents of title will be returned by post to the person whose name and address (outside the Prohibited Territories) is set out in Box 1 of the Tender Form or, if relevant, to the person whose name and address (outside the Prohibited Territories) is inserted in Box 6 of the Tender Form, in each case by no later than five Business Days after the date of such lapse, or, in the case of Ordinary Shares held in uncertificated form (that is, in CREST), the Escrow Agent (as defined below) will provide

instructions to Euroclear to transfer all such Ordinary Shares held in escrow balances by TFE instruction to the original available balances to which those Ordinary Shares relate.

- (k) As part only of a Qualifying Shareholder's holding of Ordinary Shares will be tendered pursuant to the Tender Offer, upon successfully tendering some or all of their Tender Offer Entitlement, each Qualifying Shareholder will be entitled to receive the following:
 - (i) if Ordinary Shares are held in certificated form - a balance certificate in respect of the unsold Ordinary Shares where the share certificate(s) submitted pursuant to the Tender Offer relate to more Ordinary Shares than that successfully tendered by such Qualifying Shareholder under the Tender Offer; or
 - (ii) if Ordinary Shares are held in uncertificated form (that is, in CREST) - the transfer of the unsold Ordinary Shares by the Escrow Agent by TFE instruction to the original registered holder(s) of those unsold Ordinary Shares.
- (l) Further copies of the Tender Form may be obtained on request from Capita Registrars by telephone on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (UK time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Tender Offer nor give any financial, legal or tax advice. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.
- (m) The decision of the Company as to the results of the Tender Offer shall be final and binding on all Shareholders.
- (n) Holdings in certificated and uncertificated form under the same name with different designations will be treated as separate shareholdings for the purposes of the application of terms of the Tender Offer and a separate Tender Form or TTE instruction will need to be submitted in order to tender each such separate holding. In addition, where a custodian, nominee or trustee holds Ordinary Shares for or on behalf of more than one beneficiary, it will need to submit a separate Tender Form and/or TTE instruction in order to tender for or on behalf of each such separate holding.
- (o) Subject to the satisfaction of the Conditions referred to in paragraph 2(a) above, all successfully tendered Ordinary Shares will be purchased by the Company at the Tender Price. Such Ordinary Shares will then be held in treasury by the Company.
- (p) All questions as to the number of Ordinary Shares tendered, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any tender of Ordinary Shares will be determined by the Company, in its sole and absolute discretion, which determination shall be final and binding on all of the parties (except as otherwise required under applicable law).
- (q) Ordinary Shares will be purchased by the Company under the Tender Offer free of commissions and dealing charges. The maximum number of Ordinary Shares that the Company may purchase pursuant to the Tender Offer is 1,749,331 Ordinary Shares.
- (r) The failure of any person to receive a copy of this Circular or for a person who holds his/her Ordinary Shares in certificated form, the personalised Tender Form, shall not invalidate any aspect of the Tender Offer. None of the Company, the Receiving Agent or any other person will incur any liability in respect of any person failing to receive this Circular and for a person who holds his/her Ordinary Shares in certificated form, the personalised Tender Form. Additional copies of this Circular and the Tender Form can be obtained from the Receiving Agent.
- (s) The Company reserves the right to revise the Tender Price or change the maximum number of Ordinary Shares that can be tendered pursuant to the Tender Offer, based on market conditions and/or other factors, subject to compliance with applicable law and regulatory requirements. Any such revision will require, amongst other things, that new Tender Forms

are despatched to Qualifying Shareholders and may, in certain circumstances, require that the period of the Tender Offer be extended.

- (t) No acknowledgement of receipt of any Tender Form, share certificate(s), other document(s) of title and/or TTE messages (as appropriate) will be given.

3. Procedures for tendering Ordinary Shares

Different procedures apply for Ordinary Shares in certificated and uncertificated form.

If you hold Ordinary Shares in certificated form, you may only tender such Ordinary Shares by completing and returning the Tender Form in accordance with the instructions set out in paragraph 3(i) below and the instructions printed thereon.

If you hold Ordinary Shares in certificated form, but under different designations, you should complete a separate Tender Form in respect of each designation. Additional Tender Forms are available upon request from the Receiving Agent.

If you hold Ordinary Shares in uncertificated form (that is, in CREST) you may only tender such Ordinary Shares by TTE instruction in accordance with the procedure set out in paragraph 3(iii) below and, if those Ordinary Shares are held under different Member account IDs, you should send a separate TTE instruction for each Member account ID.

(i) Ordinary Shares held in certificated form

If you wish to participate in the Tender Offer you should insert in Box 3 the number of Ordinary Shares for which you wish to accept the Tender Offer and sign Box 4A or 4B of the accompanying Tender Form in accordance with the instructions printed on it. Tenders may only be made on the accompanying Tender Form, which is personal to the Qualifying Shareholder(s) named on it and may not be assigned or transferred. The Tender Form represents a right to tender Ordinary Shares. It is not a document of title.

If you hold Ordinary Shares in both certificated and uncertificated forms, you should complete a Tender Form for the certificated holding/s and tender your Ordinary Shares held in uncertificated form by TTE instruction in accordance with the procedure set out in paragraph 3(iii) below. In addition you should complete separate Tender Forms for Ordinary Shares held in certificated form but under different designations. Additional Tender Forms can be obtained from the Receiving Agent.

If you wish to participate in the Tender Offer the completed and signed Tender Form, together with your share certificate(s) and/or other document(s) of title in respect of your Ordinary Shares tendered, should be returned by post, or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to be received not later than 1.00 p.m. on 10 June 2011. No acknowledgement of receipt of documents will be given. The instructions printed on the Tender Form shall be deemed to form part of the terms of the Tender Offer. Any Tender Form received in an envelope postmarked in a Prohibited Territory or otherwise appearing to the Company or its agents to have been sent from any such territory may be rejected as an invalid tender.

The accompanying Tender Form shows for information purposes only, your entire registered shareholding in the Company on 25 May 2011 alongside the name and address specified in Box 1.

To accept the Tender Offer, insert in Box 3 the total number of Ordinary Shares in certificated form that you wish to tender under the Tender Offer. If no number of Ordinary Shares in certificated form is inserted in Box 3, and you have signed Box 4A or 4B, you will be deemed to have tendered your Tender Offer Entitlement. If a number greater than your entire holding of Ordinary Shares is inserted in Box 3 and you have signed Box 4A or 4B, you will be deemed to have tendered your Tender Offer Entitlement.

All Tender Forms are issued only to the addressees and are specific to the classes of security and the unique designated accounts printed on the Tender Forms. These personalised forms are not transferable between different (i) account holders; (ii) classes of security; or (iii) uniquely designated accounts. The Company, J.P. Morgan, Brewin Dolphin and the Receiving

Agent accept no responsibility for any instruction that does not comply with these instructions.

(ii) *Share certificates and documents of title not readily available or lost*

If your Ordinary Shares are in certificated form but your share certificate(s) and/or other document(s) of title is/are not readily available or are lost, the Tender Form should nevertheless be completed, signed and returned as described in sub-paragraph (i) above so as to be received not later than 1.00 p.m. on 10 June 2011 together with any share certificate(s) and/or other document(s) of title that you may have available, accompanied by a letter stating that the balance will follow and the share certificate(s) and/or other document(s) of title should be forwarded as soon as possible thereafter and, in any event, so as to arrive by not later than 1.00 p.m. on 10 June 2011.

If you have lost your share certificate(s) and/or other document(s) of title, you should write to the Registrars at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, for a letter of indemnity in respect of the lost share certificate(s) and/or other document(s) of title that, when completed in accordance with the instructions given, should be returned by post or by hand (during normal business hours) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received no later than 1.00 p.m. on 10 June 2011.

You should note that no payment will be made until satisfactory documentation has been received as described above.

(iii) *Ordinary Shares in uncertificated form (that is, in CREST)*

If the Ordinary Shares that you wish to tender are in uncertificated form you should take (or procure to take) the action set out below to transfer to escrow (by means of a TTE instruction) the total number of Ordinary Shares that you wish to tender under the Tender Offer, specifying the Receiving Agent (in its capacity as a CREST participant under the participant ID referred to below) as the escrow agent (the Receiving Agent, in this capacity, the **Escrow Agent**), as soon as possible and in any event so that the transfer to escrow settles not later than 1.00 p.m. on 10 June 2011.

The input and settlement of a TTE instruction in accordance with this sub-paragraph (iii) shall constitute an offer to sell the number of Ordinary Shares at the Tender Price, by transferring such Ordinary Shares to the relevant escrow account as detailed below (an **Electronic Tender**).

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your Participant ID and the Member account ID under which your Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to Euroclear in relation to your Ordinary Shares.

To tender Ordinary Shares in uncertificated form you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and which must contain, in addition to the other information that is required for the TTE instruction to settle in CREST, the following details:

- the ISIN for the Ordinary Shares which is: GB00B04V1276;
- the number of Ordinary Shares to be transferred to an escrow balance;
- your Member account ID;
- your Participant ID;
- the Participant ID of the Escrow Agent, the Receiving Agent, in its capacity as a CREST receiving agent. This is: RA10;
- the Member account ID of the Escrow Agent. This is: 27408GRA;

- the Corporate Action Number of the Tender Offer, which is allocated by Euroclear and is available by viewing the relevant corporate action detail, in CREST;
- the intended settlement date for the transfer to escrow. This should be as soon as possible and in any event no later than 1.00 p.m. on 10 June 2011;
- the standard delivery instruction with Priority 80; and
- contact name and telephone number inserted in the shared note field.

After settlement of the TTE instruction, you will not be able to access the Ordinary Shares the subject of such TTE instruction in CREST for any transaction or charging purposes, notwithstanding that they will be held by the Receiving Agent as your agent until they are transferred to itself, as Escrow Agent for the Company or the Tender Offer otherwise lapses. If the Tender Offer becomes unconditional and the relevant tender is accepted, the Receiving Agent will transfer the Ordinary Shares that are accepted by the Company to itself, as Escrow Agent for the Company.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Ordinary Shares to settle prior to 1.00 p.m. on 10 June 2011. In this connection you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

An appropriate announcement through the Regulatory Information Service of the London Stock Exchange will be made if any of the details contained in this sub-paragraph (iii) are altered in any material respect for any reason.

Withdrawals of Electronic Tenders are not permitted once submitted.

(iv) *Deposits of Ordinary Shares into, and withdrawals of Ordinary Shares from, CREST*

Normal CREST procedures (including timings) apply in relation to any Ordinary Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Tender Offer (whether such conversion arises as a result of the Ordinary Shares or otherwise). Qualifying Shareholders who are proposing to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable them to take all necessary steps in connection with any participation in the Tender Offer (in particular, as regards delivery of share certificates and/or other documents of title or transfers to an escrow balance as described above) prior to 1.00 p.m. on 10 June 2011.

(v) *Miscellaneous*

If the Tender Offer Resolution is not passed or the Tender Offer is terminated or void, all documents lodged pursuant to the Tender Offer will be returned promptly by post not later than five Business Days after such date or, in the case of Ordinary Shares held in uncertificated form, the Escrow Agent will provide instructions to Euroclear to transfer all Ordinary Shares held in escrow balances by TFE instruction to the original available balances from which those Ordinary Shares came within such time. In any of these circumstances, Tender Forms will cease to have any effect.

Tendering Qualifying Shareholders will not be obliged to pay brokerage fees, commissions or transfer taxes or duty in the UK on the sale of Ordinary Shares in relation to the Tender Offer.

The delivery of share certificates for Ordinary Shares and all other required documents and all remittances will be at the risk of the tendering Qualifying Shareholder.

If you are in any doubt as to the procedure for acceptance, please contact the Receiving Agent by telephone on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute

from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (UK time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Tender Offer nor give any financial, legal or tax advice. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

4. Settlement

Unless the Tender Offer Resolution is not passed or the Tender Offer becomes void or is terminated or is extended, the outcome of the Tender Offer will be announced by no later than 8.00 a.m. on the Business Day following the General Meeting. The payment of any consideration for Ordinary Shares pursuant to the Tender Offer will be made only after the relevant TTE instruction has settled or (in the case of Ordinary Shares in certificated form which are tendered) timely receipt by the Receiving Agent of share certificate(s) and/or other document(s) of title, a properly completed and duly executed Tender Form and any other documents required by the Tender Form.

Settlement of the consideration to which any Qualifying Shareholder is entitled pursuant to valid tenders accepted by the Company, will be made as follows:

(i) *Ordinary Shares in uncertificated form (that is, in CREST)*

Where an accepted tender relates to Ordinary Shares in uncertificated form, any cash consideration will be paid by means of CREST by the Company procuring the creation of an assured payment obligation in favour of the payment banks of tendering Qualifying Shareholders in accordance with the CREST assured payment arrangements, not later than twelve Business Days after the day that the outcome of the Tender Offer is announced.

The Company reserves the right to settle all or any part of the consideration referred to in this sub-paragraph (i), for all or any accepted tenders, in the manner referred to in sub-paragraph (ii) below, if, for any reason, it wishes to do so.

(ii) *Ordinary Shares in certificated form*

Where an accepted tender relates to Ordinary Shares in certificated form, cheques for the consideration will be despatched by first class post not later than twelve Business Days after the day that the outcome of the Tender Offer is announced at the risk of the person entitled thereto. All cash payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

Delivery of cash for the Ordinary Shares to be purchased by the Company pursuant to the Tender Offer will be made by the Receiving Agent. The Receiving Agent will act as agent for tendering Qualifying Shareholders for the purpose of receiving the cash and transmitting such cash to tendering Qualifying Shareholders. Under no circumstances will interest be paid on the cash to be paid by the Company or the Receiving Agent regardless of any delay in making such payment.

5. Tender Form

Each Qualifying Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with the Company, J.P. Morgan, Brewin Dolphin and the Receiving Agent, for themselves and as agent for the Company, so as to bind such holder and their personal or legal representatives, heirs, successors and assigns to the following effect:

- (i) that the execution of the Tender Form shall constitute an irrevocable offer to sell to the Company the total number of Ordinary Shares inserted or deemed to have been inserted in Box 3 of the Tender Form on and subject to the terms and conditions set out or referred to in this Circular and the Tender Form;
- (ii) that such Qualifying Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which such irrevocable offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Ordinary Shares free and clear from all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto and such

representation and warranty will be true in all respects at the time the Company purchases such Ordinary Shares as if it had been entered into anew at such time and shall not be extinguished by such purchase;

- (iii) that the execution of the Tender Form will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of any director of, or other person nominated by, the Company as such Qualifying Shareholder's attorney and agent (**attorney**), and an irrevocable instruction to the attorney, to complete and execute all or any contracts and/or other documents at the attorney's discretion in relation to the Ordinary Shares referred to in sub-paragraph (i) above for the purchase of such shares by the Company and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer;
- (iv) that such Qualifying Shareholder agrees to ratify and confirm each and every act or thing that may be done or effected by such attorney and/or by the Company or any of its directors or any person nominated by the Company in the proper exercise of its or his or her powers and/or authorities hereunder;
- (v) that in respect of tendered Ordinary Shares held in certificated form, such Qualifying Shareholder will deliver to the Receiving Agent their share certificate(s) and/or other document(s) of title in respect of the Ordinary Shares referred to in sub-paragraph (i) above, or an indemnity acceptable to the Company in lieu thereof, or will procure the delivery of such documents to such person as soon as possible thereafter and, in any event, before the closing of the Tender Offer;
- (vi) that the terms of this Part II shall be deemed to be incorporated in, and form part of, the Tender Form, which shall be read and construed accordingly;
- (vii) that such Qualifying Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by the Company to be desirable to complete the purchase of the Ordinary Shares referred to in sub-paragraph (i) above and/or to perfect any of the authorities expressed to be given hereunder;
- (viii) that the execution of a Tender Form constitutes, subject to the Tender Offer becoming unconditional, irrevocable authorisations and requests if the Ordinary Shares concerned are in certificated form to the Company to procure the despatch by post of a cheque drawn in pounds sterling at a branch of a UK clearing bank for the cash consideration to which a tendering Qualifying Shareholder is entitled, at the risk of such Qualifying Shareholder, to the personal agent whose name and address outside any Prohibited Territory is set out in Box 6 of the Tender Form, or if no such name and address is set out in Box 6, to the first named holder at his/her registered address outside any Prohibited Territory; or
- (ix) such Qualifying Shareholder, if an Overseas Shareholder, has fully observed any applicable legal requirements and that the invitation under the Tender Offer may be made to him under the laws of the relevant jurisdiction;
- (x) such Qualifying Shareholder has not received or sent copies or originals of this document, the Tender Form or any related documents in, into or from a Prohibited Territory and has not otherwise utilised in connection with the Tender Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of any Prohibited Territory;
- (xi) that the Tender Form has not been mailed or otherwise sent in, into or from any Prohibited Territory and such Qualifying Shareholder is accepting the Tender Offer from outside any Prohibited Territory;
- (xii) the despatch of a cheque to a Qualifying Shareholder as referred to in the section headed – "Settlement" above, will discharge fully any obligation of the Company to pay such Shareholder the consideration to which he is entitled under the Tender Offer;
- (xiii) on execution, the Tender Form takes effect as a deed;

- (xiv) the execution of the Tender Form constitutes such Qualifying Shareholder's submission to the jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form; and
- (xv) if the appointment of attorney provision under sub-paragraph (iii) above shall be unenforceable or invalid or shall not operate so as to afford any director or officer of the Company the benefit or authority expressed to be given therein, the Qualifying Shareholder shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable the Company to secure the full benefits of sub-paragraph (iii) above.

A reference in this paragraph to a holder of Ordinary Shares or a Qualifying Shareholder includes a reference to the person or persons executing the Tender Form and in the event of more than one person executing a Tender Form, the provisions of this paragraph will apply to them jointly and severally.

6. Electronic Tenders

Each Qualifying Shareholder by whom, or on whose behalf, an electronic tender is made irrevocably undertakes, represents, warrants and agrees to and with the Company, J.P. Morgan, Brewin Dolphin and the Receiving Agent, for themselves and as agent for the Company, so as to bind such holder and their personal or legal representatives, heirs, successors and assigns to the following effect:

- (i) that the input of the TTE instruction shall constitute an irrevocable offer to sell to the Company such number of Ordinary Shares as are specified in the TTE instruction or deemed to be tendered, in each case, on and subject to the terms and conditions set out or referred to in this document;
- (ii) that such Qualifying Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which such irrevocable offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Ordinary Shares free and clear from all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto and such representation and warranty will be true in all respects at the time the Company purchases such Ordinary Shares as if it had been entered into anew at such time and shall not be extinguished by such purchase;
- (iii) that the input of the TTE instruction will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of any director of, or other person nominated by, the Company, as such Qualifying Shareholder's attorney and agent (**attorney**), and an irrevocable instruction to the attorney to complete and execute all or any contracts and/or any other documents or input any instructions into Euroclear at the attorney's discretion in relation to the Ordinary Shares referred to in sub-paragraph (i) above for the purchase of such shares by the Company and to deliver any documents or input any instructions into Euroclear relating to such Ordinary Shares, for registration within six months of the Tender Offer becoming unconditional and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer;
- (iv) that such Qualifying Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by such attorney and/or by the Company or any of its directors or any person nominated by the Company in the proper exercise of its or his or her powers and/or authorities hereunder;
- (v) that the input of a TTE instruction will constitute agreement by such Qualifying Shareholder that any purchase from that Qualifying Shareholder of Ordinary Shares by the Company pursuant to the Tender Offer will be subject to the Rules of the London Stock Exchange;
- (vi) such Qualifying Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by the Company to be desirable to complete the purchase of the Ordinary Shares referred to in sub-paragraph (i) above and/or to perfect any of the authorities expressed to be given hereunder;
- (vii) such Qualifying Shareholder, if an Overseas Shareholder, has fully observed any applicable legal requirements and that the invitation under the Tender Offer may be made to him under the laws of the relevant jurisdiction;

- (viii) such Qualifying Shareholder has not received or sent copies or originals of this document, the Tender Form or any related documents in, into or from any Prohibited Territory and has not otherwise utilised in connection with the Tender Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of any Prohibited Territory at the time of the input of and settlement of the relevant TTE instruction(s);
- (ix) that the TTE instruction has not been sent from any Prohibited Territory, and such Qualifying Shareholder is accepting the Tender Offer from outside any Prohibited Territory;
- (x) that the input of a CREST payment in favour of such Qualifying Shareholder's payment bank in accordance with the CREST payment arrangements as referred to in the section headed – "Settlement" above will discharge fully any obligation of the Company to pay to such Shareholder the consideration to which he is entitled under the Tender Offer;
- (xi) the input of the TTE instruction constitutes such Qualifying Shareholder's submission to the jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Tender Offer;
- (xii) if, for any reason, any Ordinary Shares in respect of which a TTE instruction has been made are, prior to 1.00 p.m. on 10 June 2011, converted into certificated form, the electronic tender in respect of such Ordinary Shares shall cease to be valid and the Qualifying Shareholder will need to comply with the procedures for tendering Ordinary Shares in certificated form as set out above in respect of the Ordinary Shares so converted, if he wishes to make a valid tender of such Ordinary Shares pursuant to the Tender Offer; and
- (xiii) if the appointment of attorney provision under sub-paragraph (iii) above shall be unenforceable or invalid or shall not operate so as to afford any director or officer of the Company the benefit or authority expressed to be given therein, the Qualifying Shareholder shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable the Company to secure the full benefits of sub-paragraph (iii) above.

7. Invalid tenders

The Company reserves the absolute right to inspect (either itself or through its agents) all Tender Forms, and may consider void and reject any tender that does not in the sole judgment of the Company meet the requirements of the Tender Offer. None of the Company, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. The Company reserves the right, in its sole discretion, to treat as valid in whole or in part any Tender Form that is not entirely in order or (where required) that is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, however, the consideration under the Tender Offer will only be dispatched when the Tender Form is entirely in order, when the relevant TTE instruction has been settled or (as the case may be) the relevant share certificate(s) and/or other documents of title or indemnities satisfactory to the Company has/have been received.

- (i) All tenders received in respect of Ordinary Shares held in certificated form must be made on a Tender Form delivered to the Receiving Agent so as to be received by 1.00 p.m. on 10 June 2011.
- (ii) **A Tender Form which is received in respect of Ordinary Shares held in uncertificated form will not constitute a valid tender and will be disregarded.** Holders of Ordinary Shares in uncertificated form who wish to tender any such Ordinary Shares should note that a TTE instruction submitted will only be a valid tender as at 10 June 2011, if it has settled on or before 1.00 p.m. on that date.

8. Closing Date and right to extend

The Tender Offer will close at 1.00 p.m. on 10 June 2011 (**Closing Date**) and no tenders that are received after that time will be accepted unless the Company, in its sole and absolute discretion, shall have extended the period during which the Tender Offer is open, in which event the term "Closing Date" shall mean the latest time and date at which the Tender Offer, as so extended by the Company,

shall close. The Company shall notify the Receiving Agent of any extension of the Closing Date by oral or written notice and shall notify holders of Ordinary Shares of such extension by public announcement not later than 8.00 a.m. on the Business Day following the day on which the General Meeting is held.

9. Right to terminate or amend the Tender Offer

- (i) If at any time prior to 1.00 p.m. on 10 June 2011:
 - (i) the Board in its absolute discretion concludes that the Tender Offer would no longer be in the best interests of the Company and/or Shareholders as a whole; or
 - (ii) there shall occur any change in the national or international, financial, economic, political or market conditions; or
 - (iii) there shall occur any change in the financial position or prospects and/or circumstances of the Company (including, without limitation, in relation to the distributable profits of the Company),

which, in respect of (ii) and (iii) above, in the opinion of the Company (acting in its absolute discretion), renders the Tender Offer temporarily or permanently impractical or inadvisable (taking into account the background to and reasons for the Tender Offer), the Company shall be entitled to determine that the Tender Offer is terminated and that no Ordinary Shares tendered under the Tender Offer shall be acquired. If such determination is made, the Company shall, as soon as practicable thereafter, announce the same through a Regulatory Information Service of London Stock Exchange and notify Shareholders in writing.

- (ii) If at any time prior to the Closing Date there shall occur an increase in the market price of an Ordinary Share from 125.1p, (which is the average closing middle market price of an Ordinary Share for the five Business Days ended on 26 May 2011, being the latest practicable date prior to the date of this Circular) which, in the opinion of the Company (acting in its absolute discretion), renders the Tender Price less attractive to Shareholders, the Company shall be entitled (but not required) to determine either that the Tender Offer is terminated and that no Ordinary Shares tendered under the Tender Offer shall be acquired or that the price per Ordinary Share, at the sole discretion of the Company, be increased up to an amount equal to no more than 10 per cent. above the average of the closing middle market quotations for the Ordinary Shares as derived from the London Stock Exchange for the five Business Days immediately preceding the day on which the Company sets the increased tender price. If the tender price is increased the ratio of the terms of the Tender Offer shall be amended so that the consideration payable to a Shareholder pursuant to the Tender Offer will, so far as practicable, remain the same or increase. Unless the Company specifies otherwise, all tenders will remain valid if the terms of the Tender Offer are amended to increase the Tender Price per Ordinary Share. The benefit of any increase to the tender price per Ordinary Share pursuant to the Tender Offer will be made available to all Qualifying Shareholders whose tenders have been accepted at the original Tender Price of 149p per Ordinary Share. If it is determined that the Tender Offer is terminated, it shall cease and determine absolutely and the Company shall, as soon as practicable thereafter, notify Shareholders in writing. If any such determination to increase the tender price per Ordinary Share is made, the Company shall, as soon as practicable thereafter, notify Shareholders in writing.
- (iii) If at any time prior to the Closing Date there shall occur a decrease in the market price of an Ordinary Share from 125.1p, (which is the average closing middle market price of an Ordinary Share for the five Business Days ended on 26 May 2011, being the latest practicable date prior to the date of this Circular) which, in the opinion of the Company (acting in its absolute discretion), renders the Tender Price too high, the Company shall be entitled to determine either that the Tender Offer is terminated and that no Ordinary Shares tendered under the Tender Offer shall be acquired or that the tender price per Ordinary Share, at the sole discretion of the Company, be decreased provided that the revised Tender Price shall be above the average of the closing middle market quotations for the Ordinary Shares as derived from the London Stock Exchange for the five Business Days immediately preceding the day on which the Company sets the decreased tender price. If the tender price is decreased the ratio of the terms of the Tender Offer may at the discretion of the Company be amended,

provided that the maximum number of Ordinary Shares to be tendered under the Tender Offer shall be equal to £2.6 million divided by the revised tender price (rounded down to the nearest whole number), such number not to exceed 1,749,331 (being approximately 0.42 per cent. of the Company's current issued ordinary share capital (excluding treasury shares)). If it is determined that the Tender Offer is terminated, it shall cease and determine absolutely and the Company shall, as soon as practicable thereafter, notify Shareholders in writing. If any such determination to decrease the Tender Price per Ordinary Share is made, the Company shall, as soon as practicable thereafter, notify Shareholders in writing providing details of the procedure to follow to withdraw or amend Tender Forms or (as the case may be) TTE instructions prior to the Closing Date. If Shareholders are notified of the decreased tender price less than five Business Days before the Closing Date, the Company will extend the Closing Date so that Shareholders have at least five Business Days to withdraw or amend Tender Forms or (as the case may be) TTE instructions.

10. Overseas Shareholders

- (i) The making of the Tender Offer in, or to certain persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom or custodians, nominees or trustees for persons who are citizens or nationals of, or residents in, jurisdictions outside the United Kingdom, may be affected or prohibited by the laws of the relevant overseas jurisdiction. Shareholders who are Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Shareholder wishing to tender Ordinary Shares to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents that may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. If you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any such Shareholder will be responsible for payment of any such issue, transfer or other taxes or other requisite payments due by whomsoever payable and J.P. Morgan, Brewin Dolphin and the Company and any person acting on any of their behalfs shall be entitled to be fully indemnified and held harmless by such Shareholder for any such issue, transfer or other taxes as such person may be required to pay. No steps have been taken to register or qualify the Tender Offer or authorise the extending of this Tender Offer or the distribution of the Circular or any accompanying personalised Tender Form and any related documents in any territory outside the United Kingdom.
- (ii) In particular, the Tender Offer is not being made directly or indirectly in or into, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of any Prohibited Territory. This includes, but is not limited to, facsimile transmission, telex and telephone. Copies of this Circular, the Tender Form and any related documents are not being mailed or otherwise distributed or sent in or into any Prohibited Territory, including to Shareholders with registered addresses in these jurisdictions or to persons whom the Company knows to be trustees, nominees or custodians holding Ordinary Shares for such persons. Persons receiving such documents (including, without limitation trustees, nominees or custodians) must not distribute or send them in or into any Prohibited Territory or use such mails or any such means or instrumentality for any purpose directly or indirectly in connection with the Tender Offer, and so doing may invalidate any purported tender pursuant to the Tender Offer. Persons wishing to tender pursuant to the Tender Offer must not use such mails or any such means or instrumentality for any purpose directly or indirectly related to any tender pursuant to the Tender Offer. Envelopes containing Tender Form(s) should not be postmarked in any of the Prohibited Territories or otherwise despatched from any of the Prohibited Territories, and all acceptors must provide addresses outside the Prohibited Territories for the remittance of cash, or for the return of Tender Form(s), share certificates and/or other document(s) of title.
- (iii) The provisions of this paragraph 10 and/or any other terms of the Tender Offer relating to Overseas Shareholders may be waived, varied or modified as regards a specific Shareholder or on a general basis by the Company in its absolute discretion, but only if the Company is satisfied that such waiver, variation or modification will not constitute or give rise to breach of applicable securities or other laws. Subject to this, the provisions of this paragraph 10 supersede any terms of the Tender Offer inconsistent herewith. References in this paragraph

10 to a Shareholder shall include references to the persons executing a Tender Form and, in the event of more than one person executing a Tender Form, the provisions of this paragraph 10 shall apply to them jointly and severally.

- (iv) A Shareholder will be deemed not to have offered Ordinary Shares pursuant to the Tender Offer if (i) such Shareholder is unable to make the representations and warranties set out in paragraphs 5 or 6 above (as appropriate); or (ii) such Shareholder completes a Tender Form with an address in any of the Prohibited Territories or has a registered address in any of the Prohibited Territories and in either case such Shareholder does not insert on a Tender Form the name and address of the person or agent outside of any of the Prohibited Territories to whom he wishes the consideration to which he is entitled under the Tender Offer to be sent, subject to the provisions of this paragraph and applicable law; or (iii) such Shareholder inserts on a Tender Form the name and address of the person or agent in any of the Prohibited Territories to whom he wishes the consideration to which such Shareholder is entitled under the Tender Offer to be sent; or (iv) the Tender Form received from him is in an envelope postmarked in, or which otherwise appears to the Company or its agents to have been sent from any of the Prohibited Territories. The Company reserves the right, in its absolute discretion, to investigate in relation to any acceptance, whether the representations and warranties set out in paragraphs 5 or 6 above (as appropriate) and given by any Shareholder are correct and, if such investigation is undertaken and as a result the Company determines (for any reason) that such representation and warranty is not correct, such acceptance shall not be valid.
- (v) If, in connection with making the Tender Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this Circular, any accompanying personalised Tender Form or any related documents in, into or from any of the Prohibited Territories, such person should:
 - (i) inform the recipient of such fact;
 - (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
 - (iii) draw the attention of the recipient to this paragraph 10 headed "Overseas Shareholders".

11. Taxation

The following statements are intended only as a general guide and relate only to certain UK tax consequences of the Tender Offer. They are based on current UK legislation and what is understood to be the current practice of HM Revenue & Customs ('HMRC') as at the date of this Circular, both of which may change, possibly with retroactive effect. They apply only to Qualifying Shareholders who are resident (and, in the case of individuals, ordinarily resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owner of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Qualifying Shareholders who are subject to special rules (such as persons acquiring their Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

Taxation of income

Individuals and trustees

Individual Shareholders and trustees of UK resident trusts will be treated as receiving a capital sum for the disposal of the Ordinary Shares equal to the amount treated as paid up on each Ordinary Share for

tax purposes (see the section entitled "Taxation on Capital Gains" below). To the extent there is any excess, individual Shareholders and trustees of UK resident trusts will be treated as receiving an income distribution.

An individual Shareholder who is resident for tax purposes in the UK will be entitled to a tax credit equal to one ninth of the amount of the net income distribution, which is also equivalent to a tax credit of 10 per cent. of the sum of the net distribution and the tax credit (the "gross distribution").

Individual Shareholders resident for tax purposes in the UK will be liable to income tax on the amount of the gross distribution. The tax credit referred to above will discharge the liability to income tax in respect of the distribution to an individual Shareholder who is subject to UK income tax at the basic rate only. A higher rate taxpayer will be liable to income tax on the gross distribution at a rate of 32.5 per cent.. Higher rate taxpayers will be able to offset the tax credit against their liability to tax on the gross distribution. As a result, after setting off the tax credit, a higher rate taxpayer will be liable to additional income tax at an effective rate of 25 per cent. of the net distribution. A taxpayer paying 'additional rate' income tax will be liable to income tax on the gross distribution at a rate of 42.5 per cent.. After setting off the tax credit, the effective rate of tax will be 36.1 per cent. of the net distribution. If an individual UK resident Shareholder's total tax credit on the distribution exceeds his overall tax liability, he may not claim repayment of the excess from HMRC.

Trustees of UK resident trusts should take appropriate advice on the tax consequences of the Tender Offer. Generally, UK resident trusts that are regarded as discretionary or accumulation trusts may be subject to tax at the 42.5 per cent. dividend trust rate on the total of the income distribution element of the sum received plus the tax credit. As for individuals paying tax at the additional rate, this normally results in an effective rate of tax of 36.1 per cent. on the net distribution received. Certain trusts with up to £1,000 of total income may have no further tax to pay.

UK corporation tax payers

For a corporate Shareholder, it is likely that any income distribution element of the purchase price would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. In that case, the whole of the purchase price should be brought into account in the calculation of any chargeable gain on the disposal (see the section entitled "Taxation on Capital Gains" below).

However, the income distribution exemptions are not comprehensive and are also subject to anti-avoidance rules. To the extent that the purchase price does not fall within an exemption, that element will be taxable as an income distribution at the prevailing corporation tax rate of up to 26 per cent. (subject to any available exemptions or relief) and that amount will be excluded from the chargeable gains computation.

Taxation on Capital Gains

To the extent the sum received by a Shareholder is a capital payment (as to which see above), this may, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

The current rate of capital gains tax for individuals liable to income tax at the higher or additional rate is 28 per cent.. Individuals whose taxable income for the year in question is less than the upper limit of the basic rate income tax band (£35,000 for 2011/12) are subject to capital gains tax at the rate of 18 per cent., except to the extent that the aggregate of their total taxable income and gains (less allowable deductions) in that year exceeds the upper limit of the basic rate income tax band. Any such excess over the upper limit is subject to tax at the rate of 28 per cent.. For trustees, the rate of capital gains tax is 28 per cent..

Corporate shareholders suffer tax on capital gains at the prevailing rate of corporation tax (up to 26 per cent. from 1 April 2011). Indexation relief may apply.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax should be payable by Qualifying Shareholders as a result of the Tender Offer. Stamp duty will be payable by the Company at the rate of 0.5 per cent. of the consideration paid by the Company to Shareholders in respect of the Tender Offer.

PART III

Some Questions and Answers on the Tender Offer

Introduction

To help you understand what is involved in the Tender Offer, we have prepared an outline summary and some questions and answers. Shareholders should read the whole of this Circular and not just rely on the summarised information set out in this section. If you are in doubt about the contents of this Circular or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately. The contents of this Circular are not to be construed as legal, business or tax advice. Shareholders should rely only on the information in this Circular. No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been authorised by the Company.

What documents have I been sent?

- Qualifying Shareholders who hold their shares in certificated form (that is, not in CREST) will receive:
 - this Circular;
 - a Form of Proxy;
 - a Tender Form; and
 - a prepaid envelope.
- Qualifying Shareholders who hold their shares in uncertificated form (that is, in CREST) will receive:
 - this Circular;
 - a Form of Proxy; and
 - a prepaid envelope.

Summary

- Under the Tender Offer, each Qualifying Shareholder will be entitled to sell 1 share for every 238 shares registered in his/her name at 6.00 p.m. on 10 June 2011 (the **Record Date**).
- Qualifying Shareholders can choose whether they want to sell their shares under the Tender Offer or not. Qualifying Shareholders are not obliged to sell any of their shares if they do not wish to do so and may sell all or some of the shares they are entitled to sell.
- All shares purchased under the Tender Offer will be purchased at a price of 149p per share (unless we announce this price has changed).
- Shares which are properly tendered will be purchased by the Company and will be held in treasury.
- In order to participate in the Tender Offer:

- Qualifying Shareholders holding shares in certificated form (that is, not in CREST) must return the Tender Form, together with any share certificate(s) and/or other document(s) of title in accordance with the instructions set out on the Tender Form to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 1.00 p.m. on 10 June 2011; and
- Qualifying Shareholders holding shares in uncertificated form (that is, in CREST) must tender electronically through CREST so that the TTE instruction settles no later than 1.00 p.m. on 10 June 2011.
- Qualifying Shareholders who do not sell their shares will not receive any cash or other consideration in respect of their shares under the Tender Offer.
- The Tender Offer is subject to shareholder approval which will be sought at a general meeting to be held at 12.00 p.m. on 13 June 2011 (the **General Meeting**). If the resolution authorising the Tender Offer is not passed, the Tender Offer will not proceed and no shares will be purchased by the Company pursuant to the Tender Offer.
- Whether or not Shareholders intend to be present at the General Meeting, and whether or not Shareholders intend to participate in the Tender Offer, Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon so that it reaches the Registrar as soon as possible and in any event so as to be received by the Registrar, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by post or by hand (during normal business hours only) not later than 12.00 p.m. on 9 June 2011. Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

What is the Tender Offer?

The Tender Offer is the method by which the Company intends to repurchase its own shares at 149p per share up to a maximum aggregate amount of £2.6 million. Qualifying Shareholders are given the opportunity to sell their shares for cash to the Company.

The intention to undertake a tender offer was announced on 19 May 2011 with the interim results for the six months ended 31 March 2011.

Why is the Company undertaking the Tender Offer?

The Board is extremely conscious that the share price of the shares continues to trade at a very significant discount to net asset value, despite the achievements made so far this year.

Consequently, the Board has decided to take the opportunity to return cash to Qualifying Shareholders by way of the Tender Offer rather than by paying an interim dividend. It is the view of the Board that this move will serve to highlight the wide disparity between the share price per Ordinary Share and the Group's underlying asset value. The Tender Price represents approximately a 29 per cent. discount to Gross NAV.

How does the Tender Offer work?

Each Qualifying Shareholder will be entitled to sell up to a maximum of 1 share for every 238 shares registered in his/her name on the Record Date, rounded down to the nearest whole number of shares (the **Tender Offer Entitlement**).

Qualifying Shareholders are able to accept the Tender Offer in respect of their shares up until 1.00 p.m. on the closing date of the Tender Offer which is 10 June 2011.

Subject to approval being obtained from Shareholders at the General Meeting and unless the Board determines to terminate the Tender Offer in accordance with paragraph 9 of Part II of this Circular, all

shares which are properly tendered by each Qualifying Shareholder which, for the avoidance of doubt will not be more than each Qualifying Shareholder's Tender Offer Entitlement, will be purchased by the Company and will be held in treasury.

Qualifying Shareholders do not pay UK dealing costs on any successfully tendered shares.

The Company may amend or terminate the Tender Offer in accordance with paragraph 9 of Part II of this Circular, including where the market price of a share increases or decreases. Tenders may only be withdrawn or amended where the Company decides to decrease the price per share to be paid under the Tender Offer from 149p per share as a result of a decrease in the market price of a share.

In the Tender Offer, Qualifying Shareholders are not obliged to sell any of their shares if they do not wish to do so.

Qualifying Shareholders who hold their shares in certificated form (that is, not in CREST) who have tendered some or all of their Tender Offer Entitlement and who:

- **have one share certificate in respect of their entire holding of shares, may not trade any of their shares in the Company in the normal way during the Tender Offer period; or**
- **have more than one share certificate in respect of their holding of shares, may only trade those shares in the Company in the normal way during the Tender Offer period which are not represented by the share certificate(s) relating to those shares which have been tendered pursuant to the Tender Offer.**

Qualifying Shareholders who hold their shares in uncertificated form (that is, in CREST) who have tendered some or all of their Tender Offer Entitlement, may only trade those shares in the Company in the normal way during the Tender Offer period which have not been tendered pursuant to the Tender Offer. Such Qualifying Shareholders are directed to paragraph 3(iii) in Part II of this Circular which details specific procedures for holders of shares in uncertificated form.

Who is eligible to participate in the Tender Offer?

The Tender Offer is open to Shareholders who are on the register of members of the Company at 6.00 p.m. on 10 June 2011 with a holding of at least 238 shares. For legal reasons we are unable to offer our Shareholders who are resident in Canada, Australia, Japan or the Republic of South Africa the ability to participate in the Tender Offer.

Qualifying Shareholders who are citizens, residents or nationals of countries outside of the UK should read the additional information set out in paragraph 10 of Part II of this Circular.

Do I have to sell my shares?

No. You are not obliged to sell all or some of your shares.

What happens if I don't sell my shares?

If you choose not to sell any shares, your holding will be unaffected, save for the fact that you may end up owning a slightly greater percentage of the shares of the Company after the Tender Offer than you did before as, to the extent the Tender Offer is accepted, there will be fewer shares in issue after completion of the Tender Offer process than before. However, given that the maximum number of shares to be acquired under the Tender Offer is 1,749,331 (representing approximately 0.42 per cent. of the Company's current issued ordinary share capital (excluding treasury shares)), any increase in the percentage of your holding will be minimal.

You should note that the Tender Offer is being made in lieu of an interim dividend and that no payment of an interim dividend will be made including to those who do not sell shares in the Tender Offer.

What happens to the shares that are “successfully tendered”?

All shares that are successfully tendered under the Tender Offer will be purchased by the Company and held in treasury.

How many shares will there be after the Tender Offer?

Assuming the Tender Offer is fully taken up, the Tender Offer will result in the purchase and subsequent holding in treasury of 1,749,331 shares which would lead to approximately 0.42 per cent. fewer shares in issue. If the Tender Offer is not fully taken up, then fewer shares will be purchased as a result of the Tender Offer.

What will I receive if I participate in the Tender Offer?

If you decide to participate and your shares are properly tendered in the Tender Offer, you will sell your shares and will receive cash proceeds for them at 149p per share.

What price will I receive for each share that I sell?

All Qualifying Shareholders who properly tender shares will receive 149p per share.

Is there a meeting of Shareholders and do I need to attend?

As the Tender Offer will require the approval of Shareholders, a General Meeting has been convened for 12.00 p.m. on 13 June 2011 at the Company’s offices at 161 Brompton Road, London SW3 1QP. Shareholders have a choice whether to attend the meeting. If you choose not to attend, we would encourage you to exercise your right to vote at the meeting by signing and returning the enclosed Form of Proxy.

The resolution at the General Meeting will require a majority of 75 per cent. or more votes in order to be passed.

Do I need to vote on the Tender Offer?

All Shareholders on the register of members of the Company at 6.00 p.m. on 10 June 2011 have the right to vote and we would encourage you to do so. Please sign and return the enclosed Form of Proxy so that it is received by the Registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 12.00 p.m. on 9 June 2011.

What do I need to do?

Firstly, we would encourage you to sign and return the Form of Proxy to vote on the Tender Offer process.

Secondly, you need to decide if you want to sell all or part of your Tender Offer Entitlement. If you decide to tender and hold your shares in certificated form, you will need to return the enclosed Tender Form completed, signed and witnessed together with your share certificate(s) (these will clearly show that they are certificates for shares in Grainger plc) and/or other document(s) of title.

Holders of shares in uncertificated form (that is, in CREST) are directed to paragraph 3(iii) in Part II of the Circular which details specific procedures for those holders.

Will I be able to tender part of my Tender Offer Entitlement?

You are able to tender some or all of your Tender Offer Entitlement under the terms of the Tender Offer. Details for doing this are set out in the enclosed Tender Form.

Holders of shares in uncertificated form (that is, in CREST) are directed to paragraph 3(iii) in Part II of this Circular which details specific procedures for those holders.

If I hold my shares in certificated form (that is, not in CREST) what do I need to submit if I decide to sell all or part of my Tender Offer Entitlement?

As noted above, if you hold your shares in certificated form (that is, not in CREST) and decide you want to sell all or part of your Tender Offer Entitlement, then together with the Tender Form (which shall be completed, signed and witnessed) you will need to submit:

- if you have one share certificate in respect of your entire holding of shares, that share certificate and/or other document(s) of title; or
- if you have more than one share certificate in respect of your holding of shares, only those share certificate(s) that certify ownership of the shares you have decided to sell to the Company pursuant to the Tender Offer and/or other document(s) of title.

When will I receive my cash?

Under the expected timetable of events it is expected that a cheque would be despatched to you for the proceeds of any sale by 30 June 2011. CREST account holders will also have their CREST accounts credited on that day.

If I hold my shares in certificated form (that is, not in CREST) and have successfully tendered some or all of my Tender Offer Entitlement, will I receive a balance share certificate?

If you hold your shares in certificated form (that is, not in CREST) and have successfully tendered some all or of your Tender Offer Entitlement, then:

- if you have one share certificate in respect of your entire holding of shares and you submitted that share certificate and/or other document(s) of title together with the Tender Form pursuant to the Tender Offer, you will receive a balance share certificate in respect of your revised holding of shares following the Tender Offer; or
- if you have more than one share certificate in respect of your holding of shares, and you submitted one or more share certificate(s) and/or other document(s) of title together with the Tender Form pursuant to the Tender Offer, you will only receive a balance share certificate if the number of shares represented by the share certificate(s) submitted is greater than the amount of shares you have successfully tendered under the Tender Offer.

What is the UK tax treatment for Shareholders?

For information on certain UK taxation consequences of the Tender Offer please see paragraph 11 of Part II of this Circular.

If you are in doubt about your tax position, or if you are subject to tax in a jurisdiction other than the UK, you should consult a professional adviser immediately.

What happens if I have lost my share certificate(s) and wish to participate in the Tender Offer?

If you have lost your share certificate(s) and wish to participate in the Tender Offer, you should write to the Registrar who will arrange for a letter of indemnity to be sent to you.

What if I am resident outside the UK?

Qualifying Shareholders resident overseas should read the additional information set out in paragraph 10 of Part II of this Circular.

For legal reasons we are unable to offer our Shareholders who are resident in Canada, Australia, Japan or the Republic of South Africa the ability to participate in the Tender Offer.

Why have I been sent so much paperwork?

We are required to provide all Qualifying Shareholders with full details of the Tender Offer. These documents contain important information and you should read them carefully as you have a right to vote on and participate in the Tender Offer. All Qualifying Shareholders, unless restricted by any applicable law or regulation, have been sent a copy of this document.

If you are in doubt about the contents of this Circular or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately. The contents of this Circular are not to be construed as legal, business or tax advice. Shareholders should rely only on the information in this Circular. No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been authorised by the Company.

What if I have more questions?

If you have read this Circular and still have questions, please contact the Receiving Agent by telephone on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (UK time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Tender Offer nor give any financial, legal or tax advice. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

Grainger plc

(A company incorporated in England and Wales with registered no. 125575)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a General Meeting of Grainger plc (the **Company**) will be held at the Company's offices at 161 Brompton Road, London SW3 1QP on 13 June 2011 at 12.00 p.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

Special Resolution

To authorise the Company, in addition to (and not in substitution for) the existing authority granted at the Annual General Meeting of the Company held on 9 February 2011 authorising the Company for the purposes of section 701 of the Companies Act (the **Act**) to make market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange plc (the **London Stock Exchange**) of up to 41,600,000 ordinary shares of 5p each in the capital of the Company (**Ordinary Shares**), in accordance with section 701 of the Act to make market purchases within the meaning of section 693(4) of the Act of Ordinary Shares pursuant to tenders made in relation to the Tender Offer (as defined in the circular to shareholders of the Company dated 27 May 2011) provided that:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 1,749,331 (representing approximately 0.42 per cent. of the Company's issued ordinary share capital (excluding treasury shares));
- (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share pursuant to this authority shall be 5p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share pursuant to this authority shall be the greater of 149p and an amount equal to not more than 10 per cent. above the average of the closing middle market quotations for the Ordinary Shares as derived from the Official List of London Stock Exchange for the five Business Days immediately preceding the day on which the Company sets the increased price;
- (d) unless previously renewed, revoked or varied, the authority hereby conferred shall expire on the date which is 18 months from the date of passing this resolution; and
- (e) the Company may enter into a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Dated 27 May 2011
Registered Office
 Citygate
 St. James' Boulevard
 Newcastle upon Tyne
 NE1 4JE

BY ORDER OF THE BOARD
 Michael Windle
Secretary

General Notes

Entitlement to attend and vote

The Company specifies that only those holders of Ordinary Shares registered in the registrar of members of the Company as at 6.00 p.m. on 10 June 2011 shall be entitled to attend or vote at the aforesaid General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 6.00 p.m. on 10 June 2011 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

A member entitled to attend and vote at the General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him/her. In order to be valid, an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarially) must be returned by one of the following methods and in each case must be received by the Company not less than 48 hours before the time of the General Meeting:

- (a) in hard copy form, by utilising the Form of Proxy enclosed with this Notice of General Meeting and post, courier or deliver by hand to the Registrars;
- (b) electronically via www.capitashareportal.com. If you have not previously registered for electronic communications you will first be asked to register as a new user for which you will require your investor code (which can be found on your Form of Proxy), family name and postcode to log in. Once registered, a proxy voting link will be provided. You do not need to wait for an activation code; or
- (c) if you hold your Ordinary Shares in uncertificated form, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

Completion and return of the Form of Proxy, or the appointment of a proxy electronically

via www.capitashareportal.com or through CREST, will not preclude a member from attending and voting at the meeting in person. The Form of Proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.

Each member entitled to attend the General Meeting as above, and each proxy appointed in accordance with the above, has one vote for the resolution voted on by a show of hands. If a proxy has been appointed by more than one member entitled to vote, and one of those members has instructed the proxy to vote for the resolution and one or more other of those members has instructed the proxy to vote against it, the proxy has one vote for and one vote against the resolution on a show of hands. In the event of a poll the proxy can exercise the voting rights of each member who has appointed them.

Under section 324A of the Act, a proxy must vote in accordance with any instructions given by the Shareholder by whom they are appointed.

A copy of this Notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act (**Nominated Persons**). The rights to appoint a proxy cannot be exercised by a Nominated Person; they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the General Meeting or to have someone else so appointed. If a Nominated Person does not have such a right to be appointed, or to have someone else appointed, as a proxy for the General Meeting or does not wish to exercise it, he/she may have a right under an agreement to give instructions to the member as to the exercise of voting rights at the General Meeting.

Members entitled to attend and vote as above, have a right to ask questions related to the business put to the meeting as set out in this document. The directors will endeavour to answer all such questions as fully as possible, however, they are not required to answer if:

- (i) to do so would interfere unduly with the preparation for the meeting; or

- (ii) to answer would involve the disclosure of confidential information; or
- (iii) the answer has already been given on a website in the form of an answer to a question; or
- (iv) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Corporate representatives

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.

CREST members

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 13 June 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited (**Euroclear**) specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12.00 p.m. on 9 June 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of

instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations (as amended). Please refer to the CREST Manual at www.euroclear.com/CREST.

Share capital

As at 26 May 2011 (being the latest practicable day prior to the publication of this Notice), the Company's issued ordinary share capital comprised 416,362,420 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company. The Company holds 21,410 Ordinary Shares in treasury and is not permitted to exercise voting rights in respect of these shares. Therefore the total number of voting rights in the Company as at 26 May 2011 is 416,341,010.

Website

A copy of this Notice and other information required by section 311A of the Act can be found at www.graingerplc.co.uk.

Communication

Except as provided above, members who have general queries about the General Meeting should contact the company secretary by post or telephone at Grainger plc, Citygate, St

James' Boulevard, Newcastle upon Tyne NE1 4JE or on 0191 269 5916 (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this Notice of General Meeting; or
- any related documents (including the Form of Proxy),

to communicate with the company for any purposes other than those expressly stated.

